

**SMUD****SACRAMENTO MUNICIPAL UTILITY DISTRICT**
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March 28, 2002
CPP02-026

Kristy Chew
California Energy Commission
Energy Facilities Siting and Environmental Protection Division
1516 9th Street, MS-15
Sacramento, CA 95814-5512

Via U.S. Mail & Facsimile to (916) 654-3882

Re: SRWTP Reclaimed Water – SRCSD letter dated March 15, 2002

Dear Ms. Chew,

I understand that the California Energy Commission (CEC) is in receipt of Mr. Robert Shanks' March 15, 2002 letter concerning the Sacramento Regional County Sanitation District's (SRCSD) interest in providing reclaimed water from the Sacramento Regional Wastewater Treatment Plant (SRWTP) for use at the Sacramento Municipal Utility District's (SMUD) Cosumnes Power Plant (CPP), currently under development. SMUD appreciates the SRCSD's interest and their offer to work with us on the myriad of challenging issues associated with the use of reclaimed water at CPP that would need to be resolved to partner, including safety, financial sharing, reliability, technical, and environmental. For the record, I am pleased to provide the CEC with clarification of several issues raised in Mr. Shanks' letter, as follows:

First, in my letter CPP02-012 of February 25, 2002 SMUD expressed specific commercial terms under which any potential reclaimed water deal must be undertaken. Namely, SMUD would require a firm, uninterruptible supply of up to 9 million gallons per day (MGD) of reclaimed water conforming to the requirements of Title 22 of the California Code of Regulations for disinfected tertiary reclaimed water, 365 days per year. Since the SRCSD's failure to deliver up to 9 MGD of Title 22 reclaimed water would result in interruption of CPP operations, SMUD would require liquidated damage provisions in any supply contract which would compensate SMUD's customer owners for the cost of replacing lost CPP electrical generation. We feel strongly that the imposed use of reclaimed water at CPP represents an unreasonable burden to SMUD's customer owners and, accordingly, SMUD would require the SRCSD to compensate us for the use of reclaimed water at CPP. Lastly, SMUD would require a firm, contractual commitment from the SRCSD in any supply contract with regard to fixing reclaimed water cost.

Mr. Shanks letter of March 15, 2002 did not respond to SMUD's request of February 25, 2002 as to whether, based on SMUD's conditions for the use of SRWTP reclaimed water expressed in letter CPP02-012, the SRCSD has an interest in providing such reclaimed water for use at CPP. Recently, we have inquired of the SRCSD on this important point.

Second, while Mr. Shanks states in his letter of March 15, 2002 that the SRCSD “ . . . would be glad to work with SMUD to best meet your recycled water needs based on your construction schedule” he did not answer the questions expressed in my letter of February 25, 2002 concerning the availability of reclaimed water. Specifically, I asked in letter CPP02-012 whether or not the SRCSD would have 4.5 MGD of reclaimed water meeting CCR Title 22 regulations available to SMUD on or before June 1, 2004 and a total of 9 MGD of Title 22 reclaimed water available to SMUD no later than June 1, 2007. We have recently inquired of the SRCSD on this issue as well.

Third, Mr. Shanks’ letter of March 15, 2002 assumes that a reclaimed water pipeline can be installed in immediate proximity to the 26-mile SMUD natural gas pipeline extension being developed in conjunction with the CPP Project. While we recognize that the SRCSD has considerable experience in the conveyance of wastewater, they have incorrectly assumed that it is advisable to locate a reclaimed water pipeline in such close proximity to the 24” CPP natural gas pipeline. Further, the assumption expressed in Shanks’ letter of March 15, 2002 that “ . . . there should be minimal additional right of way cost attributed to the parallel recycled water line” ignores the necessary minimum safe distance between the natural gas pipeline and the proposed reclaimed water line to ensure appropriate corrosion protection as well as the environmental effects, costs, and impacts to the public associated with, in effect, doubling the 15’ permanent easement width of the proposed 26-mile linear facility and widening the construction easement. In addition, his assumption concerning right of way does not take into account that such minimum safe distance is not available within, or adjacent to, the Union Pacific railroad right of way for which the 26-mile SMUD natural gas pipeline is proposed to run for much of its length and, as such, an entirely separate easement and linear facility would be necessary for much of the 26-mile route.

Fourth, Mr. Shanks stated in the letter of March 15, 2002 that it was the SRCSD’s “ . . . understanding from the RWQCB, that regardless of the water source, zero liquid discharge may be required.” It is our belief that an NPDES permit for CPP can be obtained and, therefore, zero liquid discharge will not be required. In fact, as proposed in SMUD’s Application for Certification (AFC) to the CEC and in our NPDES permit application to the CRWQCB, the CPP discharge would be very similar to that of the Sacramento Cogeneration Authority Procter & Gamble Cogeneration Project, which has successfully discharged wastewater for many years under the authority of and in compliance with an NPDES permit issued by the CRWQCB. As such, it is a reasonable assumption that mercury and other constituents in SRWTP reclaimed water would preclude discharge of this water via NPDES.

Fifth, we have recently reiterated to the SRCSD that SMUD would require a firm, uninterruptible supply of up to 9 MGD of Title 22 reclaimed water. While we understand that the proposed SRWTP reclaimed water pumping facilities would require outages for repair and maintenance, it would be necessary for the SRCSD to install sufficient redundancy to ensure an uninterruptible supply. As far as a back-up water supply is concerned, Rancho Seco Lake is a recreational facility into which SMUD would never consider discharging reclaimed water. Further, the levels of mercury and other constituents in SRWTP reclaimed water would create human health risk concerns in such a water body where contact recreation and fishing are core activities.

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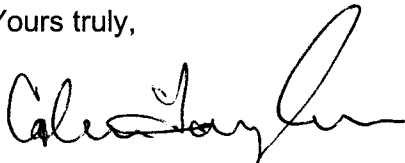
With regard to groundwater, it has been SMUD's expressed intent to avoid the pumping of groundwater for CPP. The pumping of groundwater would place SMUD in direct competition with agricultural interests for the local groundwater supply and could increase both public and agency concern over aquifer depletion. As such, SMUD prefers to avoid a groundwater withdrawal for CPP.

Regarding the Folsom South Canal (FSC), as you know SMUD currently retains water rights totaling 60,000 acre-feet/year from this Bureau of Reclamation project. When built out to full capacity, CPP will only utilize some 8,000 acre-feet of FSC water each year. As proposed in SMUD's AFC, the FSC will be the sole source of water for the Cosumnes Power Plant and is currently the only source of water for SMUD's existing Rancho Seco operations.

Sixth, as to the Request for Information attached to Mr. Shanks' letter of March 15, 2002 SMUD believes the SRCSD's proposed study methodology to be inappropriate and has declined to provide the requested information to the SRCSD. As proposed in the AFC, CPP is not designed to utilize reclaimed water nor are the linear facilities necessary to transport such waters proposed in conjunction with the CPP Project. Your agency has raised the use of reclaimed water as an issue in the course of your evaluation of the CPP AFC and has directed SMUD to study the possible use of reclaimed water. SMUD has already completed and submitted the required studies. Further study on the part of the SRCSD will not be necessary.

Ms. Chew, thank you for the opportunity to provide these clarifications concerning the potential use of reclaimed water at CPP. Should you have any questions in this matter, please don't hesitate to give me a call at (916) 732-6724 or Mr. Kevin Hudson at (916) 732-7101.

Yours truly,

A handwritten signature in black ink, appearing to read 'Colin Taylor', with a stylized, flowing script.

Colin Taylor
Director, Cosumnes Power Plant Project

cc: Jim Shetler
Bob Nelson
Steve Cohn
Kevin Hudson
Joe Pennington
Richard Anderson, CEC
Richard Latteri, CEC
Patricia Leary, CRWQCB
Corporate Files